

# FISCAL UPDATE Article

Fiscal Services Division

March 29, 2019



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## CHILD CARE FORECASTING GROUP — MARCH 2019

**Forecasting Group.** Staff from the Department of Management (DOM), the Department of Human Services (DHS), and the Fiscal Services Division of the Legislative Services Agency (LSA) met on March 29, 2019, to discuss the [Child Care Assistance](#) (CCA) Program estimated FY 2019 and FY 2020 expenditures. The Forecasting Group is established in Iowa Code section [234.47](#) to discuss revenues and expenditures and agree on an estimate for the current and upcoming fiscal years.

Child Care Assistance Estimated Budget			
	Actual FY 2018	Projected FY 2019	Projected FY 2020
<b>Revenues</b>			
Funds Carried Forward	\$ 1,063,700	\$ 14,963,945	\$ 500,000
State General Fund Appropriation	39,343,616	40,816,931	40,816,931
Temporary Assistance for Needy Families	53,603,561	47,166,826	47,166,826
Child Care Development Fund	62,186,695	68,680,289	69,199,586
Special Grant Funds	18,612	0	0
<b>Total Revenues</b>	<b>\$ 156,216,184</b>	<b>\$ 171,627,991</b>	<b>\$ 157,683,343</b>
<b>Expenditures</b>			
Total Child Care Assistance	\$ 117,595,896	\$ 124,939,623	\$ 132,747,264
Child Care Management Information System	567,318	615,723	643,123
Quality Rating System	1,265,795	1,675,992	1,941,476
Quality Activities & Other	5,691,877	7,695,555	10,600,957
Resource and Referral (Fed & State)	3,662,314	4,039,912	4,109,138
Early Childhood Iowa Grants	5,850,000	5,850,000	5,850,000
Legal Services, Printing, & Postage	263,979	264,068	291,908
General Administrative Costs	1,667,388	1,918,352	2,073,215
Field Operations	4,872,168	5,313,262	5,981,122
Special Grant Funds	18,112	0	0
Expenses Transferred to CC Facility Fund	-202,608	0	0
Carryforward for Federal Fiscal Year	14,963,945	500,000	500,000
<b>Total Expenditures</b>	<b>\$ 156,216,184</b>	<b>\$ 152,812,487</b>	<b>\$ 164,738,203</b>
<b>Surplus / -Need</b>		<b>\$ 18,815,504</b>	<b>\$ -7,054,860</b>
<b>FY 2020 Balance After Applying FY 2019 Surplus</b>			<b>\$ 11,760,644</b>

**Fiscal Year 2019.** The Forecasting Group estimated that CCA will have an FY 2019 ending balance of \$18.8 million. The underlying revenue estimates available in FY 2019 have not changed. The estimates

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continue to use an additional \$3.0 million to account for the provider rate increases that went into effect in January 2019 required by the FY 2019 Health and Human Services Appropriations Act (2018 Iowa Acts, ch. [1165](#)).

**Fiscal Year 2020.** The consensus estimated need for FY 2020 is \$7.1 million before applying the carryforward from the previous fiscal year. The forecast predicts continued case growth and cost-per-case trends and incorporates the annualized cost of the provider rate increase. Once the projected FY 2019 surplus is utilized, there is a projected surplus of \$11.8 million.

The federal appropriation language around the Child Care and Development Block Grant (CCDBG) funds requires the increased funding to supplement, not supplant, state funding of CCA programs. The Administration for Children and Families (ACF) Office of Child Care considers a state to have satisfied the [“supplement not supplant” requirement](#) if the state has not made administrative or legislative changes to reduce the amount of general revenue funds for child care assistance to low-income families below the amount the state would have spent under state law and policies in place on the date of enactment of the Consolidated Appropriations Act of 2018 (March 23, 2018).

**FY 2021 Outlook.** The State is on a [Corrective Action Plan](#) for some program policy items that will affect overall program expenditures beginning in FY 2021 beyond regular enrollment growth and cost-per-case increases. The most significant areas where Iowa is out of compliance with federal regulation is having a 12-month eligibility limit on CCA Plus rather than the final federal rule for perpetual funding as long as the family is below an established exit eligibility ceiling. The ACF Office of Child Care has not approved Iowa’s waiver application beyond federal fiscal year 2020. During the FY 2021 Budget Request process, DHS will be assessing the long-term costs and parameters of the CCA Plus segment.

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